

Business league; neighborhood community association. A nonprofit organization that is operated to promote the common business interests of its members, a majority of whose businesses are located in one particular shopping center, has a voluntary membership open to all businesses in a neighborhood community, and is not concerned with landlord-tenant matters relating to the shopping center qualifies for exemption under section 501(c)(6) of the Code; Rev. Rul. 73-411 distinguished.

Advice has been requested whether the nonprofit organization described below qualifies for exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

The organization was created and is operated to promote the common business interests of its members. It does not engage in a regular business of a kind ordinarily carried on for profit. Membership in the organization is voluntary and open to all businesses in a neighborhood community. A majority of the members' businesses are located in one particular shopping center, but the organization is not involved in tenant and landlord matters relating to the shopping center.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of business leagues or chambers of commerce, not organized for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Section 1.501(c)(6)-1 of the Income Tax Regulations defines a business league or chamber of commerce as an association of persons having some common business interest. The activities of the association must be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

Rev. Rul. 73-411, 1973-2 C.B. 180, holds that an organization of the businesses of a one-owner shopping mall is not exempt from Federal income tax as a chamber of commerce under section 501(c)(6) of the Code where its members are required by their leases at the mall to join the organization, where its members represent the businesses of a single one-owner mall rather than a community, and where its members also operate it to deal with matters pertaining to the landlord and tenant relationship at the mall.

Unlike the organization in Rev. Rul. 73-411, this organization has a voluntary membership and is not concerned with tenants' matters. Further, although a majority of its members' businesses are located in one particular shopping center, this organization is operated to improve, within the meaning of section 1.501(c)(6)-1 of the regulations, the business conditions of a community rather than a single one-owner mall.

Accordingly, the organization qualifies for exemption from Federal income tax under section 501(c)(6) of the Code.

Even though an organization considers itself within the scope of this Revenue Ruling, it must file an application on Form 1024, Application for Recognition of Exemption, in order to be recognized by the Service as exempt under section 501(c)(6) of the Code. See section 1.501(a)-1 of the regulations. In accordance with the instructions to Form 1024, the application should be filed with the District Director of Internal Revenue for the key district indicated therein.

Rev. Rul. 73-411 is distinguished.